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SIPDIS

STATE FOR SCA/CEN M. O'MARA, EEB
DOE FOR EKIMOFF
COMMERCE FOR HUEPER

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TAGS: [PGOV](#) [PREL](#) [EPET](#) [KZ](#)
SUBJECT: TIMUR KULIBAYEV VISITS THE EMBASSY

Classified By: AMBASSADOR ORDWAY FOR REASONS 1.4(B) AND (D)

¶1. (C) Summary: Timur Kulibayev, Chairman of KazEnergy Association and son-in-law of President Nazarbayev, met with the Ambassador on June 12 and toured the Embassy. During his conversation with the Ambassador, Kulibayev discussed changes at KazMunayGas, described relations with Russia as improving, stressed the importance of Trans-Caspian oil transportation, and expressed skepticism about Turkmenistan's intent to send gas westwards. End Summary

¶2. (C) During a June 12 tour of the Embassy with the Ambassador, Timur Kulibayev noted that he first brought new KazMunayGas Chairman Serik Burkitbayev in to the company (Note: Kulibayev was referring to Burkitbayev's tenure from 2003-2007 as Director of the Kazakhstan Oil and Gas Institute, a KMG subsidiary) and called him a good manager. Kulibayev said that two different visions are in competition at KMG, but offered no details.

¶3. (C) Kulibayev told the Ambassador that possibilities for cooperation with Russia have increased with the departure of Transneft's Semyen Vaynshtok, and he said that in principle he sees no reason to believe that CPC will not be expanded. Kulibayev indicated, however, that his focus is on the Kazakhstan Caspian Transportation System (KCTS). He believes that there will be BTC expansion with a second parallel pipeline, but said the key development will be a pipeline up through Georgia to the Black Sea.

¶4. (C) Kulibayev was skeptical about Turkmenistan. According to Kulibayev, Turkmenistan's flirtations with trans-Caspian gas are intended only to achieve better deals with existing partners. Moreover, Turkmenistan has already oversold, he said.

¶5. (C) Domestically, Kulibayev criticized Kazakhstan for not developing new oil fields. On changes to the tax code, he said Kazakhstan faces a conflict between providing the stable tax regimes guaranteed under PSAs and the desire to ensure equal conditions for all companies. Kulibayev would like KazEnergy to be more active, and sees a role for it in areas like developing regulations and environmental standards. (Note: On June 11, Prime Minister Masimov chaired a meeting of the Commission for Development of the Oil and Gas and Energy Industry. The Commission agreed to consider proposals of KazEnergy on a new tax code. Masimov ordered the creation of a working group to develop a new tax code and to review the KazEnergy proposals. On June 13, Prime Minister Masimov told the Ambassador that the GOK will not seek to renegotiate the contractual terms for Kashagan, Karachaganak, and Tengiz. The existing contracts will be sent to Parliament for ratification, ensuring the continued viability of their

contractual tax stabilization clauses, regardless of changes in the tax code that will be applied to all other fields in Kazakhstan).

¶6. (C) Kulibayev attended a meeting between President Nazarbayev and Chevron CEO David O'Reilly the week before in Atyrau and told the Ambassador that an agreement has been reached on the sulfur issue. The Ambassador mentioned a planned trip in July of Special Envoy for Eurasian Energy C. Boyden Gray and Coordinator for Eurasian Energy Diplomacy Steve Mann. Kulibayev said he would be happy to meet with them.

¶7. (C) Comment: Kulibayev's discussion with the Ambassador demonstrates that he remains one of the most thoughtful and knowledgeable interlocutors on energy issues in Kazakhstan. The depth of his knowledge, and his recent participation in important meetings with the Prime Minister and the President, also indicate that he is still privy to the innermost dealings of Kazakhstan's energy sector, contrary to recent rumors that Nazarbayev had pushed him to the sidelines. End Comment
ORDWAY